1997-98 SESSION COMMITTEE HEARING RECORDS

Committee Name:

Joint Committee on Finance (JC-Fi)

Sample:

- > Record of Comm. Proceedings
- > 97hrAC-EdR_RCP_pt01a
- > 97hrAC-EdR_RCP_pt01b
- > 97hrAC-EdR_RCP_pt02

- > Appointments ... Appt
- > <u>Clearinghouse Rules</u> ... CRule
- > Committee Hearings ... CH
- > Commíttee Reports ... CR
- > Executive Sessions ... ES
- > <u>Hearing Records</u> ... HR
- ➤ <u>Miscellaneous</u> ... Misc
- 97hr_JC-Fi_Misc_pto4p_DPR
- > Record of Comm. Proceedings ... RCP

Joint Finance

16.515/16.505 14 Day Aussive Reviews

3/13/17-

DOJ 3/13/47-

STATE OF WISCONSIN

SENATE CHAIR-BRIAN BURKE

LL1 119 Martin Luther King Blvd. P.O. Box 7882 Madison, WI 53707-7882 Phone: 266-8535



ASSEMBLY CHAIR SCOTT JENSEN

315 North, State Capitol P.O. Box 8952 Madison, WI 53708-8952 Phone: 264-6970

JOINT COMMITTEE ON FINANCE

March 14, 1997

Mr. Mark D. Bugher, Secretary Department of Administration 101 E. Wilson Street, 10th Floor Madison, WI 53703

Dear Secretary Bugher:

On February 24, 1997, a request under s. 16.505 was submitted for approval by the Joint Committee on Finance regarding the Department of Justice's (DOJ) request for 8.0 PR four-year project positions to assist DOJ in litigating the state's case against the tobacco industry. The Committee approves the request with the modification to provide the positions for two years. In addition, the Committee notes that it is its expectation that no positions be filled unless funding is available to support the expenditures.

Unless you notify us by March 21, 1997, that you wish us to schedule a meeting of the Committee to consider the original request, we will consider the Department of Justice's request as approved with the above modification.

Sincerely,

BRIAN BURKE Senate Chair Assembly Chair

BB/SJ/jc

cc: Members, Joint Committee on Finance

Attorney General James Doyle

Linda Nelson, DOA

THE STATE OF WISCONSIN

SENATE CHAIR BRIAN BURKE

Room LL 1 MLK P.O. Box 7882 Madison, WI 53707-7882 Phone: (608) 266-8535



ASSEMBLY CHAIR SCOTT JENSEN

315-N Capitol P.O. Box 8952 Madison, WI 53708-8952 Phone: (608) 264-6970

JOINT COMMITTEE ON FINANCE

MEMORANDUM:

TO:

Members

Joint Committee on Finance

From:

Representative Scott Jensen

Senator Brian Burke

Co-Chairs, Joint Committee on Finance

Date:

February 24, 1997

Re:

s.16.515/16.505 Request

Attached is a copy of a request from the Department of Administration dated February 24, 1997 pursuant to s. 16.515/16.505(2) pertaining to a request from the Department of Justice.

Please review these items and notify **Representative Jensen's** or **Senator Burke's** office no later than **Thursday, March 13, 1997** if you have any concerns about the request or would like the Committee to meet formally to consider the request.

Please contact us if you need further information.

SJ:BB:jt



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

February 28, 1997

TO:

Members

Joint Committee on Finance

FROM:

Bob Lang, Director

SUBJECT: Department of Justice s. 16.515 Request for Additional Attorneys For Litigation

Against the Tobacco Industry

This memorandum has been prepared to provide information regarding the Department of Justice's (DOJ) request under s. 16.505, approved by the Department of Administration and forwarded to the Joint Committee on Finance on February 24, 1997, for 8.0 PR four-year project positions (three attorneys, three paralegals and two legal secretaries) to assist DOJ in litigating the state's case against the tobacco industry. If no objection has been raised by March 17, 1997, the request will be approved.

Background

On February 5, 1997, the State of Wisconsin filed a lawsuit in the Dane County Circuit Court against 11 defendants (including Philip Morris Incorporated; R.J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; B.A.T. Industries, P.L.C.; Lorillard Tobacco Company; Liggett & Myers, Inc.; United States Tobacco Company; Hill & Knowlton, Inc.; The Council for Tobacco Research--U.S.A., Inc.; The Tobacco Institute, Inc.; and Smokeless Tobacco Council, Inc.) alleging the following:

Conspiracy to mislead, deceive and confuse the public regarding the evidence that the use of tobacco products causes debilitating and fatal disease and that the nicotine in tobacco is a powerfully addictive substance. Further, tobacco companies have concealed material information and waged an aggressive campaign of disinformation about the health consequences of their products, despite that they have known, based on their own research, that their products often injure or kill consumers when used exactly as intended.

- 2. Certain tobacco companies have manipulated the amount of nicotine delivered by their products to create and sustain addiction.
- 3. The defendants engage in this conduct, despite their knowledge that the vast majority of new tobacco product users are children and adolescents. In addition, the defendants spend millions of dollars marketing to attract children and adolescents to use their products (despite that they legally cannot purchase them).
- 4. The state spends millions on medical and related services for Wisconsin residents for tobacco-related diseases and thousands of residents die each year from the products, while tobacco manufacturers reap huge profits from sales to residents.
- 5. It is a long-standing policy of the state to prevent children from using tobacco products, and to prevent facilitating children's access to, or desire for, such products.
- 6. The state has a policy of paying health care costs for its residents who cannot afford to pay these costs themselves. In addition, the state also has a policy of recovering the costs from those who should have paid them.

The state seeks monetary damages, civil penalties, declatory and injunctive relief and restitution for the described conduct. The injunction would require the defendants to cease marketing tobacco products to children, to disclose their research on smoking, addiction and health and to fund a remedial public education campaign of the health consequences of smoking and smoking cessation programs. The state also seeks punitive damages to recover past and future expenditures for medical assistance for costs associated with treatment and services for smoking-related problems, and for health care benefits for state employes and retirees, including sick leave and health insurance, related to tobacco use.

Wisconsin is the 21st state to sue the tobacco industry and to seek to recover such costs. According to DOA officials, the Governor and the Attorney General have agreed that the state will be represented in this case by the DOJ project positions included in this request and assistance from three private law firms. The private law firms are being hired on a contingency fee basis, so that all costs of the litigation are fronted by the firms, which will receive up to 20% of any recovery the state is awarded at the end of the case depending on the length of the litigation (firms will receive 10% if the case is settled within 180 days, 15% if settled within 180 to 360 days and 20% thereafter). The firms are employed to assist DOJ, not to act independently.

Request for Position Authority

According to DOJ, the project positions are needed so that DOJ has the resources required to head the tobacco case litigation and still perform other litigation and legal services provided by the Department. DOJ will be responsible for: (a) coordinating the dozen, or more, attorneys

and paralegal and clerical staff provided by the private firms; (b) reviewing and filing all legal documents (pleadings, motions, briefs and discovery documents); (c) approving conclusions drawn from legal research; and (d) selecting appropriate counsel to conduct depositions, examine witnesses and make arguments.

Some of the other states, which have filed similar lawsuits, are relying solely on private counsel to represent their interests. However, DOJ officials indicate that it is important for DOJ to head the litigation so that the state is in control of any settlements. Further, DOJ indicates that the state's attorneys are more knowledgeable in the public interest law areas of consumer protection, government operations, anti-trust and civil litigation, while the private attorneys are more adept in the common law areas, such as negligence. The positions included in this request are based, in part, on staffing levels in several other states that are using a similar combination of private and public counsel in the tobacco litigation, and also on DOJ's current and expected legal caseload.

DOJ has identified total costs of the eight positions to be \$544,800 annually, plus an additional \$40,000 in one-time, start-up costs for computers and office equipment. DOJ expects funding for the positions to be available from donations from private, non-profit anti-tobacco groups (such as the American Cancer Society, the American Heart Association and the Wisconsin Medical Society). Other states have used similar contributions to offset any state litigation costs. To date, DOJ has a commitment (no funds have as yet been received) of \$150,000 from the Wisconsin Division of the American Cancer Society. DOJ officials also indicate that the American Cancer Society has pledged to generate as much as \$500,000 annually from other organizations, and that they expect other groups, who have expressed interest, to pledge funds now that the litigation is underway.

DOJ would deposit any funds received from private interests into a gifts and grants, program revenue appropriation [20.455 (3)(g)]. The language governing the appropriation specifies that all moneys received from gifts and grants and all proceeds from services, conferences and sales of publications and promotional materials can be used for the purposes for which made or collected. It is a continuing appropriation, and therefore, Joint Committee on Finance approval would be required only for the position authority (expenditure authority could be approved through the DOA allotment process).

DOJ requests the positions at this time so that the authority exists when funding becomes available. However, because no funding has been received to date, DOJ has stated that the positions would not be filled until DOJ has received enough donations to cover their costs. If insufficient funds are received to hire all eight of the requested positions, only a portion of the positions would be filled, as supported by program revenue. Further, if, at some point, program revenues are depleted, project positions would be laid off.

Typically, project positions are approved for two-year periods; however, DOJ is requesting the 8.0 project positions for four years. At this time, the amount of resources that may be available annually for four years is not known. In addition, there is no way to predict the

duration of such litigation. Once the case is underway, DOJ officials indicate that they anticipate continued support from non-profit organizations. However, given the uncertainties, the Committee could approve the request with a modification to provide authority for two-year project positions, instead of four-year positions, and review the status of the litigation and available resources in two years.

Prepared by: Carri Jakel

Department of Administration

RECEIVED

FEB 2 4 1997

Date:

February 24, 1997

To:

The Honorable Brian Burke, Co-Chair

Joint Committee on Finance

The Honorable Scott Jensen, Co-Chair

Joint Committee on Finance

From:

Mark D. Bugher, Secretary/

Department of Administration

Subject:

S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

> 1996-97 1995-96 **AMOUNT** FTE FTE AMOUNT 8.0*

20.455(3)(g)

AGENCY

DOJ

Gifts, Grants and

DESCRIPTION

Proceeds

*Four year project positions through April 1, 2001.

As provided in s. 16.515, this request will be approved on March 17, 1997, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

Date: February 20, 1997

To: Mark D. Bugher, Secretary

Department of Administration

From: Scott Aker, Budget Analyst

State Budget Office

Subject: S. 16.505 Request for the Department of Justice relating to positions for litigation against the

tobacco industry.

REQUEST:

The Department of Justice (DOJ) requests 8.0 FTE four-year project positions to coordinate the state's lawsuit against the tobacco industry. The request is for 3.0 FTE attorneys, 3.0 FTE paralegals and 2.0 FTE legal secretaries. The DOJ legal team would work with private law firms hired by the state on a contingency fee basis. The project positions would be funded by contributions from private sources such as the American Cancer Society, the American Heart Association and the Wisconsin Medical Society. The request is for position authority only expenditure authority would be provided via the Department of Administration (DOA) allotment process as DOJ receives private contributions into the PR-O appropriation under s. 20.455(3)(g), Gifts, Grants and Proceeds.

REVENUE SOURCES FOR APPROPRIATION:

The revenue sources for the appropriation under s. 20.455(3)(g), Gifts, Grants and Proceeds, are conference registration fees, proceeds from services and sales of publications and promotional materials, and gifts and grants to support the purpose for which the money is collected. As private contributions are received into this appropriation, expenditure authority to support the legal team will be provided through the DOA allotment process.

BACKGROUND:

On Wednesday, February 5, 1997, the State of Wisconsin filed a lawsuit in Dane County Circuit Court against 11 defendants for conspiring to deceive the public about the negative health effects of tobacco use and secondhand smoke. The defendants include prominent tobacco companies, industry research organizations and industry advocates. The lawsuit seeks to recover state costs incurred in providing health care services to Medicaid recipients with smoking-related illnesses as well as all profits the companies have made in Wisconsin since 1953, the first year research establishing a possible link between smoking and lung cancer was reported. The lawsuit also seeks to ensure that tobacco companies cease efforts to target children as prospective smokers. Wisconsin is the twenty-first state to sue tobacco companies to recover such costs and, in some cases, profits as punitive damages.

Governor Thompson and Attorney General Doyle have agreed that the state will be represented in this lawsuit by the DOJ team discussed here as well as three private law firms working on a contingency fee basis. It has been agreed that the three law firms will split no more than twenty

percent of any recovery the state is awarded. The DOJ staff would provide overall management and coordination of the lawsuit.

To date, the Wisconsin Division of the American Cancer Society has pledged initial support of \$150,000 for these positions. The Society's executive committee is considering additional commitments and will make its recommendation to the Society's board of directors on February 28, 1997. While no other firm commitments to support these positions have been made, the department expects to receive sufficient monies to support these eight positions. The department understands that no additional state resources will be available for these positions. Any group pledging support for these positions will be reimbursed only if an award is made to the state.

ANALYSIS:

The magnitude and complexity of this lawsuit requires that the state devote sufficient legal resources throughout the life of the case. The combination of outside counsel and in-house staff will assure that important public policy issues, such as ending the tobacco industry's targeted advertising campaign to Wisconsin youth to develop new customers at an early age, remain the cornerstone of the lawsuit. Because outside counsel will be working on a contingency fee basis, activities regarding this lawsuit will not impact DOJ's sum sufficient appropriation for special counsel, s.20.455(1)(b).

The tobacco industry has displayed its ability to file seemingly endless documents in other states. The constant influx of motions and other argumentation could not be handled with existing resources in the Legal Services Division without disrupting the division's current workflow and harming the state's position in other important lawsuits. The project positions requested will form a team which will be able to coordinate and manage the state's case and maintain the appropriate focus on public policy concerns.

The department's estimates that the eight positions will result in approximately \$544,800 in expenditures annually is reasonable. It is appropriate to hire experienced people to fill these positions or to "backfill" openings created in other Legal Services Division units if incumbent staff transfer to become part of the tobacco lawsuit team. The required expenditure authority for these positions can be handled through the Department of Administration allotment process.

RECOMMENDATION:

Approve the project positions for four (4) years with the understanding that funding will derive solely from private and non-profits organizations' contributions.



STATE OF WISCONSIN DEPARTMENT OF JUSTICE

JAMES E. DOYLE ATTORNEY GENERAL

Burneatta L. Bridge Deputy Attorney General P.O. Box 7857 Madison, WI 53707-7857

Burneatta L. Bridge Deputy Attorney General 608/266-3164

February 12, 1997

Mr. Mark Bugher, Secretary Department of Administration 101 East Wilson Street, 10th Floor Madison, Wisconsin 53702

Dear Secretary Bugher:

Under the provisions of sec. 16.505, Stats., the Department of Justice requests eight positions for litigation against the tobacco industry. Three attorneys, three paralegals and two legal secretaries are requested. These Program Revenue project positions will be funded by contributions from private sources such as the American Cancer Society, the American Heart Association, and the Wisconsin Medical Society. Along with authority to retain private law firms to assist in this case, these positions and related spending authority are critical if we are to conduct legal action in this highly complex area. We can maintain a lawsuit against the tobacco industry without financial risk to the state, if our recommended approach is followed.

Background

Attorneys General of 20 states have filed lawsuits against the tobacco industry. These suits seek to recover the costs the states have incurred in providing health care services to Medicaid recipients with smoking-related illnesses; and, to enforce state consumer protection and antitrust laws regarding the sale of tobacco products, especially to children.

Reports prepared by the Division of Health in the Department of Health and Family Services identify cigarette smoking as the leading cause of preventable death in Wisconsin. More than 8,000 lives are claimed each year. Tobacco kills more people than do homicides, highway accidents, suicides, illegal drugs, alcohol, and AIDS combined.

The toll in human suffering is immeasurable; the economic impact of tobacco use is quantifiable. Cigarette smoking in Wisconsin accounts for an estimated \$1 billion in health care costs annually. A significant portion of this staggering sum is borne by the state's taxpayers, including payments for the treatment of Medicaid patients with smoking-related illnesses.

The extent to which the tobacco industry has misinformed the public is becoming clearer and clearer, as new information comes to

light. Tobacco companies have conspired for more than 40 years to conceal scientific evidence that tobacco causes cancer; much of this evidence was generated by their own researchers. The industry has gone to great lengths to conceal the addictive properties of nicotine; a characteristic of tobacco which effectively removes individual choice for those who have started the smoking habit. Perhaps most repugnant is evidence that tobacco companies have targeted children, thereby providing themselves with 3,000 new customers every day. One-third of young smokers will eventually die from smoking-related diseases.

There are compelling state interests involved in this litigation. We seek recovery of the substantial costs associated with smoking-related illnesses. We seek to promote public health and behavioral change by causing factual information about tobacco use to be more widely disseminated, recognizing a particular need to help young people make more informed, wiser choices.

<u>Analysis</u>

In order to maintain our lawsuit we need eight project positions to manage and take lead responsibility for this litigation. The other essential component is the approval of outside counsel to assist us with the litigation. Private sources have already pledged some funding for DOJ positions, and will be asked to provide more. Outside counsel will participate in this litigation on a contingency fee basis, receiving payment for their services and costs only if a recovery results from the lawsuit. Similarly, the groups pledging moneys to pay for this request will be reimbursed if the lawsuit is successful. We have the opportunity to bring a major lawsuit at no financial risk to the state, if we are given the staffing resources we need.

This approach is the same one taken by the most active of the 20 other states involved in tobacco-related litigation. experience with multi-state cases has shown that the most active states have the greatest opportunity to direct the course of litigation, and to receive more from settlements. In tobacco litigation, a combination of in-house staff and outside counsel has proven most effective. Our conclusion is that this same approach must be taken by Wisconsin, as well. The complexity of the litigation, the millions of pages of documents which will almost certainly be a part of the case, and the financial stakes involved, justify the commitment of resources, and especially if we are to have any chance of success. As an example which illustrates the resources which the opposing side will marshal, it was reported in the September 11, 1996 edition of <u>The Minneapolis Star Tribune</u> that Philip Morris spent more than \$1 million per week in reviewing and processing documents in Minnesota's litigation alone. If we are to

pursue this litigation, we must have additional resources; our adversaries will certainly not be lacking in resources or commitment.

This litigation is of the highest priority, but we simply cannot set aside the other critical work performed by the Legal Services Division. Given the availability of outside counsel, and the financial support from various private interests, there is no reason to allow this litigation to displace other legal work performed by the Department in behalf of Wisconsin citizens and state and local agencies.

Having spent several months assessing our needs in the context of experience in other states, we conclude that eight new positions (3 attorneys, 3 paralegals, 2 secretaries), along with outside legal resources, are needed to maintain a suit against the tobacco industry. These positions will not be filled until private funding is secured to support them. Department of Justice staff will be active both in the trial activity itself as well as overall management and coordination of the litigation and related activity.

Under the Governor's appointment, special counsel will assist the Attorney General in conducting this litigation. The Department of Justice's day-to-day supervision and management of the lawsuit will help assure that the litigation strategies place appropriate emphasis on public interest matters, such as curbing the tobacco industry's soliciting youth to begin and to continue smoking.

There are a number of reasons why additional staffing is needed to discharge this supervisory and managerial role. The law firms selected as special counsel to assist the Attorney General are expected to assign a dozen and sometimes more attorneys as well as the traditional complement of paralegals and clericals. This is a large team spread between three law firms. It requires that supervision and coordination be well planned and monitored. supervision and management necessarily will extend to the review and filing of all legal documents, including pleadings, motions, briefs, and discovery documents. DOJ will be responsible for approving the conclusions drawn from legal research and selecting the appropriate counsel to conduct depositions, examine witnesses, and make arguments. In some circumstances, the chances of success will increase by selecting DOJ staff attorneys rather than special counsel especially on issues that implicate specialized knowledge of government law, such as the state's consumer laws, its antitrust laws, responses to public records demands, and, indeed, even the authority of the Governor to select special counsel. (It has been common in many states for the industry to attack the Governor and Attorney General and allege they have no authority to commence the litigation.)

Apart from managing and supervising the trial itself, there additional liaison and coordinating functions DOJ must discharge. First is being liaison and providing information to the key players in state government, such as the Governor and affected agencies. Second, a substantial liaison undertaking is required to coordinate with the joint activity of the other 20 Attorneys General who already are in litigation. The states exchange experiences and important discoveries. They have developed data banks, computer programs, and jointly coded and imaged documents. Sometimes they even mutually exchange personnel in specialized areas to help increase the chance of success and decrease unnecessary duplication. A recent significant development is a retrieval system of deposition transcripts, which contain sworn testimonial evidence that can be used against the industry. this way needless duplication of time and money is avoided, and the chance of ultimate success is increased. Obviously these liaison and coordinating efforts require considerable time and effort, and they tie directly to the successful management and supervision of the trial activity itself.

paralegals are critical for the logistics of the project. One of their major responsibilities is document control. Literally millions of pieces of paper are in existence related to this litigation. They must be found, stored, and organized so as to be efficiently and quickly retrievable.

Paralegals also replace the need for additional lawyers. For example, paralegals serve as the contact and information points with various individuals in the agencies to help them understand what the law requires them to do in responding to public records requests and discovery demands. Because of their experience in state government, they can quickly locate information and key personnel. One of their most important jobs is to maintain a docket of all data, a single point index that both chronicles events and locates other needed information.

Both this paralegal function and the additional attorney function generate needs for clerical support. Two additional secretaries are necessary to mail the letters, photocopy, schedule meetings, fax messages, file documents in court, etc.

We have a commitment of \$150,000 from the Wisconsin Division of the American Cancer Society, and their pledge to generate as much as \$500,000 annually from additional fund-raising efforts. Other groups have also expressed support, which we expect will materialize once the litigation is underway. We request approval of all eight positions now, so that we have the position authority available when needed. However, we will not fill positions before receiving the financial contributions needed to cover their costs.

We request eight project positions for four years--the litigation may well require that period of time. Contributions will be deposited, and spending authority is requested, in our Program Revenue appropriation for Gifts, Grants and Proceeds under sec. 20.455(3)(g), Stats. To insure the maximum effectiveness of these positions in the quickest possible time, we expect to hire experienced attorneys, paralegals and legal secretaries, either to be directly involved in the tobacco litigation or to "backfill" for staff transferred from other units in the Department. Based on prescribed pay schedules and recent hiring experience, we anticipate annual salary costs averaging \$65,000 for each attorney, \$30,800 for each paralegal, and \$20,600 for each legal secretary. If our request for eight positions is approved, then we would anticipate needing \$544,800 in additional Program Revenue spending authority, on an annualized basis, as follows:

	<u>Attorneys</u>	<u>Paralegals</u>	<u>Secretaries</u>
Salaries	\$195,000	\$ 92,400	\$ 41,200
Benefits	66,300	31,500	14,000
Supplies & Services	20,400	12,000	12,000
Case-Related Costs	30,000	<u>30,000</u>	0
TOTAL	\$311,700	\$165,900	\$ 67,200

One-time start-up costs for personal computers, office equipment, etc., would require an estimated \$40,000 for these eight positions.

Revenue Sources for the Appropriation

The appropriation under sec. 20.455(3)(g), Gifts, Grants and Proceeds, receives moneys associated with conferences for which registration fees are charged; amounts received to cover the costs of providing certain goods or services, such as evidence kits distributed by the state crime laboratories; or, amounts received as gifts or grants to support particular programs. As noted above, we have a commitment of \$150,000 from the Wisconsin Division of the American Cancer Society to support our tobacco-related litigation. Considerably more moneys are expected from that and other organizations, once this litigation is underway.

Summary

Wisconsin has an opportunity to join 20 other states which have filed lawsuits against the tobacco industry. Recovering health care costs associated with smoking, and improving public health, are two compelling reasons to conduct this litigation. Private law firms have offered their assistance on a contingent fee basis, and private donations have been pledged to pay costs which

DOJ would otherwise incur for new resources which we need to bring the suit.

We have the opportunity to conduct this very important litigation at no financial risk to Wisconsin taxpayers. Before taking the next step we need eight project positions, to be paid for with donated moneys. These positions will not be filled until we have received enough donations to pay their costs. Your approval of this request, and that of the Joint Committee on Finance, at the earliest possible time, will enable Wisconsin to conduct this compelling lawsuit.

SMICETELY,

Burneatta L. Bridge

Deputy Attorney General